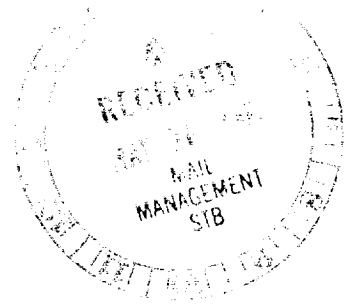


BEFORE THE  
SURFACE TRANSPORTATION BOARD



STB Ex Parte No. 582 (Sub-No. 1)

MAJOR RAIL CONSOLIDATION PROCEDURES

OFFICE OF THE SECRETARY  
Office of the Secretary

MAY 16 2000

Part of  
Public Record

STATEMENT  
OF  
RANDALL WILLIAM STOEHR  
HEPPNER IRON AND METAL COMPANY

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DATED: May 16, 2000

ORIGINAL

BEFORE THE  
SURFACE TRANSPORTATION BOARD

STB Ex Parte No. 582 (Sub-No. 1)  
MAJOR RAIL CONSOLIDATION PROCEDURES

STATEMENT  
OF  
RANDALL WILLIAM STOEHR  
HEPPNER IRON AND METAL COMPANY

My name is Randall William Stoehr. I am part owner and a Vice President with Heppner Iron & Metal Co. ("Heppner"), located at 3489 South Chestnut St., Fresno, CA 93725. I have spent 30 years with Heppner, joining them as a parttime employee during high school. My duties with Heppner include managing the company's shipping and transportation needs including those involving railroad service.

Heppner is a small, family owned and operated business with employing 24 people and enjoying between one and two million dollars in annual sales. Heppner is a scrap metal processor dealing in both ferrous and nonferrous metals. It purchases scrap metal from customers and processes this product by cutting and bailing it into smaller pieces for shipment to steel mills located in several western states adjacent to California. Heppner is a rail dependent customer shipping about 200-300 rail carloads (scrap gondolas) per year to destinations in the Pacific Northwest, Utah, and Arizona. Its use of truck is negligible (1-2% of its transportation needs), primarily for nonferrous metals.

Heppner's three largest steel mill customers are

Oregon Steel Mills, Portland, OR; Nucor Steel, Brigham, UT; and Birmingham Steel, Tacoma, WA. Oregon and Nucor are served by the Union Pacific Railroad ("UP"), while Birmingham is served by the Burlington Northern Santa Fe Railroad ("BNSF"). My company has just signed a contract to furnish a significant amount of scrap metal to Birmingham Steel, located at Tacoma, WA, on BNSF, with service to commence very soon. I anticipate that Birmingham will be a very big account for us. In all cases our traffic moves collect with the steel mills paying all rail transportation charges.

Heppner's plant is located in Fresno along the former Southern Pacific [now Union Pacific] San Joaquin Valley main line connecting Oakland and Sacramento with Los Angeles. Historically, Heppner enjoyed competitive rail service from both the SP and the former Santa Fe Railway [now part of BNSF], which has a parallel north-south main line through the San Joaquin Valley. When I first joined the company, Santa Fe served our plant by operating over SP's trackage. In later years, Santa Fe continued to served my company on a reciprocal switch basis, with SP trains and crews handling the switching and interchanging the traffic to Santa Fe at a nearby rail yard. The availability of both SP and Santa Fe gave my company competitive rates and service as well as service to a wide geographic area of the West. All of this changed during the past 20 years. Sometime during the 1980's direct Santa Fe service was replaced by reciprocal switching service with SP handling the cars. Use of BNSF dropped

drastically after UP acquired SP. In fact the last major use of the Santa Fe portion of BNSF was in the 1980's. For a while after 1996, UP orally advised us that our siding was closed to BNSF service. UP either refused to quote rates and routes involving BNSF or any rate quoted by UP to BNSF points was so high as to be noncompetitive.

Very recently, Heppner has again sought to use BNSF to points in the Pacific Northwest and Arizona. While UP has cooperated on providing interline service with BNSF to Birmingham Steel in Tacoma, WA, it has been uncooperative in providing competitive rates with BNSF for service to NorthStar Steel in Kingman, AZ. We would like to tender a substantial amount of traffic to NorthStar and need for UP to cooperate with BNSF on that move.

I commend the Surface Transportation Board for its decision to re-examine the procedures and standards applicable to class I railroad mergers and would like to provide the Board with our comments and experiences. First, Heppner has been deeply affected by the UP-SP merger in several respects. Our service after consummation of that merger was so bad that the merged carrier was three months behind in filling our car orders. Furthermore, it provided old equipment and experienced service problems due to poor track and rundown equipment. Due to its service problems, UP was unable to switch our plant more frequently than about once per week resulting in bunching of equipment and excessive demurrage charges (due to our inability

to handle more than a certain number of cars at one time).

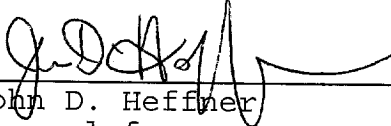
I have reviewed the Board's notice of rulemaking served March 31, 2000, and provided me by my counsel. Some of the issues the Board has identified in that notice are very pertinent to my company. Our basic rail transportation problems have been two fold, the lack of reliable service as discussed immediately above, and our inability to move traffic "from here to there" at competitive rates, or even at all. Regarding the first issue, rail shippers need a way to ensure that they can be made whole for inadequate rail service. Poor rail service means lost business and we cannot afford to stay in business if we continually fail to meet customer needs. We commend the Board for recognizing that shippers need an inexpensive easy to use remedy to resolve service complaints. We urge the Board to adopt the arbitration procedures it proposed sometime back as a forum for hearing and resolving service complaints with the power to impose penalties for bad service.

Regarding the second issue, the Board has discussed this issue in the context of open gateways, interchange and routing freedoms, "bottleneck rates," and similar headings. I am businessman, not a transportation economist. I prefer to address my transportation needs from a practical perspective, rather than using academic terms. I know that the ICC Termination Act requires that railroads provide service to all customers as a common carrier and on reasonable terms and conditions. I am also aware that carriers must interchange with one another so that

shippers can obtain "seamless" service involving two or more carriers. I am appalled that one class railroad has the ability to refuse its customer service at competitive rates to a destination simply because it does not serve that location directly. While I support the idea of transportation deregulation and want to see railroads earn sufficient revenues to be profitable, the Board should enforce the obligation of one railroad to interchange traffic with its connecting railroads. Accordingly, as the Board reviews its merger policies with an eye to revising its regulations, it should work to ensure that shippers have the ability to move traffic to distant points in the most efficient and economical manner from the customer's point of view.

**CERTIFICATE OF SERVICE**

I hereby certify that I have on this the 16th day of May, 2000, caused a copy of the forgoing to be served on all parties of record on the Service List.

  
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John D. Heffner  
Counsel for:  
Heppner Iron & Metal Company